

Green Tier and Corporate Social Responsibility:

Branding Business Values in Wisconsin

As a new program Green Tier provides a perfect opportunity to adopt a strategy that positions DNR's Green Tier Program as a contributor to Wisconsin's identity as the place where Corporate Social Responsibility (CSR) happens best. Green Tier has the potential to produce the value that encourages CSR to happen here more than anywhere else. This paper discusses how the Green Tier Program can be guided to provide a Wisconsin brand for CSR.

Corporate Social Responsibility

What is Corporate Social Responsibility (CSR)? There are no set definitions that apply to all businesses. In general, CSR is defined as a comprehensive set of policies and programs that are integrated into business operations, supply chains, and decision-making processes throughout a company. The CSR concept was introduced in 1997 to include a company's financial performance, its environmental record, and its social efforts in treating workers, peoples and communities in a fair and equitable manner. The specific issues that relate to a company's CSR focus vary by business size, industry, and even geographic region, but typically address business ethics, community investment, environment, governance, human rights, marketplace and workplace.

What principles should drive the purposes and behavior of a responsible corporation?
Two examples are instructive:

- *Richard Clark, President and CEO, Merck & Co. Inc.:* An intense commitment to conduct ourselves responsibly and transparently. It is not enough to research and develop new medicines; we must also help to ensure that those medicines reach the people who need them. As environmental stewards we look to standards such as the ISO 14001 EMS and we also adhere to the guiding principles of the American Chemistry Council (ACC)'s Responsible Care, a voluntary program dedicated to improvements in environmental, health and safety performance.
- *Jeffrey Hollender, President, Seventh Generation:* A commitment to real sustainability, equity and justice (starting with our own businesses with both compensation and ownership), transparency, and vision of the world we are committed to create by 2050. We want to do business with businesses that share our values.

The *American Management Association/HRI Business Ethics Survey 2005* shows that CSR is expected to rise in importance over the next 10 years. Although it is related to business ethics or corporate accountability, CSR has some important differences. Corporate accountability is the legal obligation to behave in a socially acceptable way or face criminal and/or civil penalties. CSR, on the other hand, is voluntary and not

mandated by any law. It refers to all company attempts to become “good corporate citizens” because of ethical and social considerations (Lubis, 2005). The idea is to establish “a positive company reputation and brand in the public eye through good work that yields a competitive edge while at the same time contributing to others” (Lockwood, 2004). --AMA’s *The Ethical Enterprise*.

Green Tier

Green Tier moves beyond traditional “command and control” to an incentive-based approach for managing environmental risk. As a new program Green Tier (GT) offers an ideal opportunity to associate its brand identity with sustainability and the values of achieving a balance of environmental, economic, and social concerns, often called the “triple bottom line”. Promoting Green Tier in tandem with Corporate Social Responsibility is an invitation to any organization that is interested in sustainability and innovation (in business operations, supply chains, decision making processes, or technology).

Principle to the Green Tier law is the recognition that sustainable business practices encompass more than just environmental aspects. §299.83 (1m) (b) and (L) requires the department attempt to:

Promote environmental performance that voluntarily exceeds legal requirements related to health, safety, and the environment and that results in continuous improvement in this state’s environment, economy, and quality of life.

Provide for sustained business success as well as a reduction in environmental pollution.

These goals to improve the state’s economy and quality of life while also improving the environment is a significant departure from the traditional ‘command and control’ approach to environmental improvement. It suggests that Green Tier is a state program for those companies working to achieve the “triple bottom line”. Businesses that have embraced CSR objectives communicate their values through their brand. This provides a truly unique opportunity to communicate extraordinary goals of GT participants and thereby develop the GT brand.

Brand and Marketing

There is a difference between marketing and brand. Despite what many believe, brand isn’t about your logo, tagline and glossy brochure. Branding goes well beyond marketing. Your brand extends to your employees, customers, the media and even the general public. Branding is all about creating an emotional grid around the product. The more sophisticated the grid of values, the more compatibly they match the core values of your brand. According to Laura Pasternak, MarketPoint, LLC, a business-to-business brand management firm:

A strong brand integrates multiple components, all of them necessary, including customer interactions, employee communications, corporate philosophy and advertising/marketing efforts. Your brand extends to your employees, customers,

the media and even the general public. If these components don't consistently reinforce your brand, customers will become dissatisfied. The negative impact of their perception, should they voice their opinions to other potential customers or even the media, could have a ripple effect on your business. This can erode your brand equity and create misperceptions about your company in the market, that in turn could lead prospective customers, employees and investors to pass on your organization.

On the other hand, brand consistency throughout all levels of the organization helps drive an organization to grow and prosper. Strong brands can drive an increase in sales. The company is better suited to attract and retain the best employees. Vendors can see value in your brand and look to establish partnerships with your business, while investors will see the business and your brand equity as a valuable commodity.

To begin understanding the values of CSR, it is worth thinking through the difference between corporate philanthropy and corporate social responsibility. Definitions provided in the June 2006 issue of *Ethical Corporation* are:

- Philanthropy involves working for the well-being of others without ulterior agenda, giving what you can afford. Corporate philanthropy thus puts resources that can be used without conflict towards helping needy people.
- Social responsibility requires adhering to values and laws in return for the license to create wealth—which may be used philanthropically.

At a recent conference, John Varley, Barclays Group CEO described the value of a brand. "Brands are far more important to stock market value and sustained growth, than short term profits. The brand of an organization is the outward manifestation of its soul. 'Soul' is an unfashionable word in the 21st Century. But with soul goes purpose and values; with soul goes commitment, and energy, and creativity, and the drive to serve and to help."

According to Calvert Investments there are three core qualities of brand: Expertise, Trust, and Responsiveness (transparency). The US puts much more weight on responsiveness than either Expertise or Trust (more so than the UK or Continental Europe). Information identifying various attributes and values with each of the three core qualities is available, as is research by the American Management Association and others working on the role(s) of ethics in business.

Neither CSR nor Green Tier is for every business. The Green Tier law provides a logo available to GT participants. The availability of this logo is very important to some participants, particularly those businesses perceived to have a harmful environmental impact, i.e. CAFO's (Concentrated Animals Feedlot Operations). Such businesses are interested in using the Green Tier logo to help market their products much like an eco-label would be used to communicate certain values. Because Green Tier is available to a huge range of organizations, the Green Tier Brand inevitably gets linked to the reputation of a business.

In the case of agriculture, currently there is interest in retail marketing dairy products as produced from a Green Tier supply chain. There is also a national initiative that refers to supply chains as 'value chains'. (More information about this follows.) According to the research, the economic sectors where value chains have proven most successful tend to be higher-volume, complex-product industries like the automotive/truck, consumer electronics, or high-end apparel industries (Dyer; Whalen; Fearn, et.al.). Successful value chains distinguish themselves by high quality, differentiated products or services and high levels of performance throughout the network. Value chain economics are based on inter-related components that enable companies to respond rapidly to changes in the marketplace. There is emerging interest in developing value chain relationships for certain agrifood sectors in Wisconsin. Green Tier may be the vehicle to facilitate that happening.

What are some first steps?

It's important to spend time investing in researching, defining, and building the Green Tier brand. One of the first steps is to identify the range of values that are the foundation for Green Tier participants. This is necessary in order to appropriately begin to develop and market Green Tier as Wisconsin's environmental brand.

Another step is to find out which additional public agencies are interested in associating other kinds of Wisconsin programs with CSR. This could possibly focus on initiatives associated with "Grow Wisconsin".

A list of other statewide initiatives/programs are:

- Wisconsin Agriculture
 - The UW Center for Integrated Agriculture Systems (CIAS) is a principle participant in the Kellogg funded project that is national initiative seeking to renew what is being called the "agriculture-of-the-middle." This term refers to a disappearing sector of mid-scale farms/ranches and related agrifood enterprises that are unable to successfully market bulk commodities or sell food directly to consumers. New business and marketing strategies will seek to create business networks or "value chains" that link farms/ranches-of-the-middle with food system partners to meet a growing demand for differentiated, high-quality food products. Scientists, including those from the UW, will provide research and education support for the business and policy strategies, at both the regional and national levels.
 - The UW CIAS has been contacted by a group of food and vegetable processors interested in working with farmers to develop three to four thousand acres of organic vegetables for processing. CIAS is interested in the possibility of new value chain relationships in this endeavor. The DNR has also been in contact with Lakeside Foods about Green Tier; (Lakeside is one of the processors group that contacted UW CIAS).

- Organic Valley---is already a poster child for CSR, and has expressed interest in Green Tier.
- WI DATCP is supportive of Green Tier and is interested in revitalizing a Wisconsin 'brand', possibly one that communicates more than the fact that Wisconsin is a sourcing state.
- "Travel Green Wisconsin" is a voluntary program that reviews, certifies, and recognizes tourism businesses that have made a commitment to continuously improve their operations in order to reduce their environmental impact.

Identifying Green Tier within the larger state context of Corporate Social Responsibility creates opportunities for consistency in meeting objectives in Governor Doyle's "Grow Wisconsin" plan to create good paying jobs and a "high end" economy. But the first step is building the Green Tier brand and marketing it by communicating the environmental and business values inherent in Green Tier.